



ARIZONA STATE SENATE
Fifty-Third Legislature, Second Regular Session

ENACTED

AMENDED

FACT SHEET FOR H.B. 2663/S.B. 1521

K-12 education; budget reconciliation; 2018-2019

Purpose

Makes statutory and session law changes relating to K-12 education necessary to implement the FY 2019 state budget.

Background

The Arizona Constitution prohibits substantive law from being included in the general appropriations, capital outlay appropriations and supplemental appropriations bills. However, it is often necessary to make statutory and session law changes to effectuate the budget. Thus, separate bills called budget reconciliation bills (BRBs) are introduced to enact these provisions. Because BRBs contain substantive law changes, the Arizona Constitution provides that they become effective on the general effective date, unless an emergency clause is enacted.

H.B. 2663/S.B. 1521 contains the budget reconciliation provisions for changes relating to K-12 education.

Provisions

Basic State Aid

1. Increases the base level for FY 2019 from \$3,683.27 to \$3,960.07.

Charter Schools

2. Increases Charter Additional Assistance (CAA) amounts for FY 2019 by 1.80 percent, providing the following per pupil amounts:
 - a) \$1,807 for students in preschool programs for children with disabilities and in grades K-8; and
 - b) \$2,106.03 for students in grades 9-12.
3. Directs the Arizona Department of Education (ADE) to proportionally reduce the CAA allocation by the following amounts:
 - a) \$13,628,800 in FY 2019;
 - b) \$10,221,600 in FY 2020;
 - c) \$6,814,400 in FY 2021;
 - d) \$3,407,200 in FY 2022; and
 - e) \$0.00 in FY 2023 and each year thereafter.

4. Requires charter school performance frameworks to include the financial expectations of the charter school.
5. Allows a charter school sponsor to revoke a charter or deny the request for charter renewal if the charter holder fails to meet the financial performance expectations set forth in the performance framework or any improvement plans.
6. Includes the financial performance of the charter in the annual report submitted to the Auditor General.
7. Requires each charter school budget to contain the following information:
 - a) the average salary of all teachers employed by the charter school for the current and previous year; and
 - b) the dollar and percentage increase in the average salary of all teachers employed by the charter school for the current year.
8. Requires charter schools to also prominently post the teacher salary information on its website home page separately from its budget.
9. Requires ADE to electronically submit a report that compiles the teacher salary information for all charter schools to the JLBC and the Governor's Office of Strategic Planning and Budgeting (OSPB) by November 30 each year.

School Districts

10. Provides the following adjustments to the District Additional Assistance (DAA) allocations for FYs 2019 through 2023:
 - a) directs ADE to reduce the DAA allocations by the following amounts and reduce school district budget limits accordingly:
 - i. \$257,469,900 in FY 2019;
 - ii. \$193,102,400 in FY 2020;
 - iii. \$128,734,900 in FY 2021;
 - iv. \$64,367,400 in FY 2022; and
 - v. \$0.00 in FY 2023 and each year thereafter.
 - b) requires non-state aid districts to reduce their DAA budgets by the amount it would be reduced if the districts were eligible for state aid; and
 - c) exempts school districts with a student count of fewer than 1,100 pupils from DAA reductions.
11. Continues to state as the intent of the Legislature and the Governor that school districts increase the total percentage of classroom spending over the previous year's percentages in the combined categories of instruction, student support and instructional support as prescribed by the Auditor General.
12. Increases the transportation funding per route mile formula amount by 1.8 percent for FY 2019.

13. Requires school district budget formats to contain, and each school district to post on its website home page, separate from the budget, the prominent display of the following:
 - a) the average salary of all teachers employed by the school district for the current and previous year; and
 - b) the dollar and percentage increase in the average salary of all teachers employed by the school district for the current year.
14. Requires ADE to electronically submit a report that compiles the teacher salary information for all school districts to the JLBC and OSPB by November 30 each year.
15. Requires each school district to prominently post on its website a copy of its profile pages that displays the percentage of every dollar spent in the classroom from the most recent status report issued by the Auditor General.

School Facilities Board (SFB)

16. Continues, retroactive to July 1, 2018, the SFB until July 1, 2022.
17. Repeals SFB statutes on January 1, 2023, if there are no outstanding state school facilities revenue bonds, school improvement bonds and lease-to-own transactions, or 30 days after the retirement of any existing revenue bonds and lease-to-own transactions.
18. Modifies SFB membership by requiring:
 - a) a member with knowledge and experience in public procurement rather than school construction; and
 - b) a member who is an owner or officer of a private construction company whose business does not include school construction rather than the owner or officer of a private business.
19. Allows current SFB members to continue to serve until the expiration of their normal terms.
20. Prohibits SFB members from soliciting, accepting or providing gifts prohibited by state law.
21. Requires the SFB to develop and implement policies and procedures that:
 - a) ensure the SFB notifies school districts in a uniform manner, at least annually, and posts on its website by July 1 each year, SFB services and available funding;
 - b) establish a project eligibility assessment for all projects submitted for Building Renewal Grant (BRG) or Emergency Deficiencies Correction funding that includes standardized criteria for project eligibility;
 - c) ensure the maintenance of standardized documentation of projects submitted for SFB services or funding and for projects awarded SFB monies including, as part of eligibility determination criteria, the following:
 - i. whether the problem the project intends to address caused the building or facility to fall below the minimum adequacy guidelines; and
 - ii. whether the school district performed routine preventive maintenance on the building or facility;
 - d) require school districts to submit contact information for each proposed project;
 - e) require school districts to provide justification for proposed projects as specified;

- f) require school districts to report preventive maintenance activities for the previous 12 months when applying for BRG monies;
 - g) require initial applications not be considered complete until all necessary information is submitted;
 - h) allow school districts to submit incomplete applications and request technical assistance from SFB staff;
 - i) require complete applications be received by the SFB at least 15 business days before the next regularly scheduled meeting for the application to be considered at that meeting and establish exceptions as outlined for incomplete applications;
 - j) allow SFB staff to notify a school district, before review by the SFB, that the proposed project does not meet eligibility criteria and allow school districts to appeal to the SFB executive director and the SFB; and
 - k) prohibit SFB staff from requesting a school district withdraw a project application from review by the SFB if the initial staff review determines a proposed project may be ineligible for monies.
22. Requires the SFB to establish policies and procedures for BRG change orders that include the requirement that:
- a) the SFB staff approve or reject a change order within two business days; and
 - b) a school district be responsible for the cost and construction of a project if the school district approves work referenced in a change order before the SFB approves the change order.
23. Requires the SFB to establish a list of persons responsible for school district facilities management and post and update this information on the SFB website by July 1 of each year.
24. Requires school districts to promptly notify the SFB of any changes to persons responsible for facilities management.
25. Allows SFB staff to review the costs and scope of a proposed project with persons and entities that have submitted bids on the project before the SFB formally approves the project.
26. Specifies that SFB employees are subject to state conflict of interest regulations for public officers and employees.
27. Prohibits SFB employees from having a direct or indirect financial interest in any purchase, construction or contract financed with SFB or other public monies and classifies a knowing violation as a class 1 misdemeanor.
28. Allows school district governing boards to delegate authority to the school district superintendent to submit New School Facilities (NSF) plans to the SFB to certify the plans meet the minimum adequacy guidelines.
29. Allows a school district to appeal the denial of a request for monies or any other appealable agency action by the SFB.
30. Removes the requirement that the SFB prioritize project requests from school districts that can provide a match of monies provided by the BRG Fund.

31. Requires BRG monies to be used for major renovations and repairs to a building that is used for student instruction or other academic purposes.
32. Requires the SFB to categorize each project that is eligible for monies from the BRG Fund as either critical or noncritical.
33. Requires the SFB to adopt policies and procedures to prioritize critical projects and to designate critical projects as projects that immediately impact student safety or building closures or result in operational disruptions.
34. Stipulates that critical projects have priority over any previously approved noncritical projects.
35. Requires the SFB to notify, if sufficient monies are not available for a noncritical project approved by the SFB, the school district that submitted the project request that monies will be distributed from the BRG Fund for the project if the Legislature appropriates sufficient monies.
36. Prohibits, if sufficient monies are not available in the fiscal year a noncritical project is awarded, the noncritical project from receiving priority in the next fiscal year.
37. Requires BRGs to be used only for projects that serve an academic purpose.
38. Directs the SFB, if the SFB makes changes to the minimum adequacy requirements, to provide a fiscal impact statement of the effect of the proposed changes to the Joint Committee on Capital Review.
39. Changes the date, from March 1 to December 1, by which SFB must approve or revise its enrollment projection for a school district to qualify for monies from the NSF Fund for additional square footage.
40. Allows the SFB to distribute \$825,000 from the NSF Fund in FY 2019 for new school construction to a school district that meets all of the following:
 - a) is in a county with a population between 100,000 and 200,000 persons;
 - b) had a total average daily membership (ADM) between 1,200 and 1,300 for FY 2017, according to the Superintendent of Public Instruction's FY 2017 Annual Report; and
 - c) received approval from the SFB for additional square footage and land acquisition in FY 2015.

School District Procurement

41. Requires the State Board of Education (SBE) to adopt rules for school district procurement of any materials, services, goods, construction or construction services that:
 - a) ensures maximum practicable competition;
 - b) holds a person that contracts for or purchases any materials, services, goods, construction or construction services in a manner contrary to the SBE procurement rules personally liable for the recovery of:
 - i. all public monies paid, plus 20 percent that amount and legal interest from the date of payment; and
 - ii. all costs and damages arising out of the violation.

- c) stipulates a person that intentionally or knowingly contracts or purchases any materials, services, goods, construction or construction services pursuant to a scheme or artifice to avoid the SBE procurement rules is guilty of a class 4 felony;
 - d) prohibits a person preparing procurement specifications from receiving any direct or indirect benefit from the utilization of those specifications;
 - e) prohibits a person that serves on a selection committee for procurement from:
 - i. being a contractor or subcontractor under a contract awarded under the procurement; or
 - ii. providing any specified professional services, construction, construction services, materials or other services under the contract; and
 - f) stipulates a person that serves on a selection committee for procurement is subject to a civil penalty if the person fails to do either of the following:
 - i. disclose contact with a representative of a competing vendor; or
 - ii. provide required accurate information.
42. Requires, effective July 1, 2019, the SBE to adopt rules for school district procurement of any materials, services, goods, construction and construction services that require contracts to be awarded based on the lowest qualified bidder.
43. Requires the SBE to adopt rules requiring school districts to obtain and maintain a record of proof that a construction or construction services provider awarded a contract has a valid license to practice in Arizona.
44. Requires a school district governing board to make available for public inspection, the rationale for awarding a contract for any specified professional services, construction, construction services or materials to an entity selected from a qualified select bidders list or through a school purchasing cooperative.
45. Allows the Attorney General (AG), if the AG has reasonable cause to believe a school district or school purchasing cooperative employee or an employee of an entity awarded a contract has violated the SBE procurement rules, to:
- a) require that person to file a statement or report in writing and under oath as to all facts and circumstances concerning a violation and other information the AG deems necessary; and
 - b) examine under oath any person connected to a violation of the SBE procurement rules.
46. Prohibits school district employees who have control over personnel actions from taking reprisal against a school district employee for disclosure of information that is a matter of public concern, including violations of the SBE procurement rules.
47. Stipulates a person who supervises or participates in school district or school purchasing cooperative contracts or other financial transactions that solicits, accepts or agrees to accept any personal gift or benefit from a person or vendor securing a contract with a school district or school purchasing cooperative is guilty of a:
- a) class 6 felony, for gifts or benefits valued at \$300 or more; and
 - b) class 1 misdemeanor, for gifts or benefits valued at less than \$300.

48. Stipulates that any person or vendor securing a contract with a school district or school purchasing cooperative that offers, confers or agrees to confer any personal gift or benefit on a person who supervises or participates in the school district or school purchasing cooperative contracts or other financial transactions is guilty of a:
 - a) class 6 felony, for gifts or benefits valued at \$300 or more; and
 - b) class 1 misdemeanor, for gifts or benefits valued at less than \$300.
49. Specifies that a gift or benefit does not include an item of nominal value such as a greeting card, T-shirt, mug or pen.
50. Allows a person or vendor convicted to be suspended for up to six months or barred for up to three years by the Director of the Arizona Department of Administration (ADOA) from doing business with school districts and school purchasing cooperatives.
51. Directs the Director of ADOA to adopt rules, including administrative procedures, to suspend or bar any person from consideration for award of contracts.
52. Prohibits a school district from hiring the same auditor or auditing firm for more than three consecutive years.
53. Prohibits an auditor or auditing firm hired by a school district from also receiving consulting fees from that school district.
54. Defines *gift or benefit*.

Computer Science Professional Development Program Fund (Computer Science Fund)

55. Establishes the Computer Science Fund, administered by ADE, and consisting of monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.
56. States that the monies in the Computer Science Fund are continuously appropriated, exempt from lapsing and subject to state auditing.
57. Directs the State Treasurer to invest and divest monies in the Computer Science Fund and credits monies earned from investment to the Computer Science Fund.
58. Requires ADE to distribute grants on a first-come, first-served basis from the Computer Science Fund to school districts and charter schools that do not currently provide high school computer science instruction to fund quality training for prospective computer science teachers.
59. Requires, subject to SBE review and approval, ADE to establish application procedures for school districts and charter schools that offer high school instruction to apply for grants.
60. Requires a school district or charter school that applies for grants to demonstrate how it plans to use the monies to provide quality training to prospective computer science teachers.

61. Requires school districts and charter schools that receive grant monies to:
 - a) provide evidence that the training provided addresses academic standards for computer science; and
 - b) submit a report, by June 30 each year, to ADE on the outcomes achieved with prospective computer science teachers and how grant monies were spent.
62. Prohibits ADE from distributing more than 50 percent of the total state General Fund appropriation in grant monies from the Computer Science Fund in any fiscal year unless matching monies are received from private sources.
63. Includes the value of training provided by a private entity at no cost to the state or any other public school to count as matching monies in any fiscal year in which training is provided.
64. Allows ADE to use up to two percent of the monies deposited in the Computer Science Fund each fiscal year for administrative purposes.
65. Requires ADE to submit a report, by November 15 each year, on the outcomes achieved and how the monies were spent, to the President of the Senate, Speaker of the House of Representatives and the Governor, and requires ADE to provide a copy of the report to the Secretary of State.

Special Audit on BRG Fund Expenditures

66. Directs the Auditor General to complete a special audit of the SFB BRG Fund expenditures for the period of July 1, 2016, through June 30, 2018, including a review of certain applicable records to:
 - a) assess the BRG process, requests for and distribution of monies, grant closeout forms and the proposed scopes of work;
 - b) assess the vendor selection, procurement, contracting and oversight processes for BRG projects;
 - c) provide BRG program details as specified;
 - d) audit work in other areas deemed necessary; and
 - e) recommend improvements for the processes listed.
67. Requires the SFB, school district and county school superintendents to cooperate with and provide information and records to the Auditor General.
68. Directs the Auditor General to submit copies of the special audit, by June 30, 2019, as directed.
69. Repeals the special audit on January 1, 2020.

Results-Based Funding

70. Requires ADE to distribute monies from the Results-Based Funding Fund in FY 2019 in the same manner as FY 2018, except based on Spring 2017, rather than 2016, statewide assessments results.

Minimum Qualifying Tax Rate (MQTR) Districts

71. Continues to increase the general budget limit by \$1.5 million in FY 2019 for a school district that was an MQTR district in FY 2018 and that had a total attending ADM of at least 5,000 pupils in FY 2017.

Miscellaneous

72. Adds social studies to the list of examination subjects that qualify for the College Credit by Examination Incentive Program.
73. Allows the Arizona State Schools for the Deaf and Blind to use monies from the Telecommunication Fund for the Deaf in FY 2019 to support the expansion of its Birth-to-Three Program.
74. Requires the Arizona Corporation Commission to make available to eligible applicants any remaining monies currently collected for the E-Rate Broadband Special Construction Project Matching Fund Program after the 2018 E-Rate procurement cycle.
75. Defines *rural* for the purpose of federal funding eligibility determinations made by ADE that involve geographic location of a school district or charter school.
76. Contains a purpose statement for the SFB continuation.
77. Makes technical and conforming changes.
78. Becomes effective on the general effective date, with a retroactive provision and delayed effective date as noted.

Amendments Adopted by Committee of the Whole

1. Requires charter school budgets to contain the average teacher salary information.
2. Removes reference to charter schools and nonexempt charter schools in the new procurement requirements.
3. Defines *gift or benefit*.
4. Modifies the Computer Science Professional Development Program by limiting eligibility to high schools that do not currently provide computer science instruction, specifying grants are distributed on a first-come first-served basis and prohibiting ADE from distributing more than 50 percent of the total state appropriation unless matching monies are received from private sources.
5. Includes the value of training provided by a private entity at no cost to the state or public school as matching monies in any fiscal year in which this training is provided.

6. Reduces the amount, from 5 to 2 percent, that ADE can use for administrative purposes from the Computer Science Fund.
7. Specifies that SFB staff must approve or reject a change order within two business days.
8. Delays the effective date of the requirement that school district procurement rules require contracts to be awarded based on the lowest qualified bidder to July 1, 2019.
9. Specifies that noncritical projects do not receive priority in the next fiscal year rather than requiring the award be canceled and allowing the school district to submit a new project in the next fiscal year.
10. Changes the date, from March 1 to December 1, by which the SFB must approve or revise its enrollment projection for a school district to qualify for monies from the NSF Fund for additional square footage.
11. Removes the \$100,000 for the School Emergency Readiness Pilot Program.
12. Changes, for provisions relating to the distribution of NSF monies, the fiscal year by which the SFB must approve additional square footage and land acquisition from FY 2016 to FY 2015.
13. Specifies that in FY 2023, and each year thereafter, the CAA reduction is \$0.00.

House Action

APPROP 5/1/18 DP 7-5-0-2
3rd Read 5/3/18 33-26-1

Senate Action

APPROP 5/1/18 DP 7-3-0
3rd Read 5/3/18 20-9-1
(H.B. 2663 was substituted for S.B. 1521 on
3rd Read)

Signed by the Governor 5/3/18
Chapter 285

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